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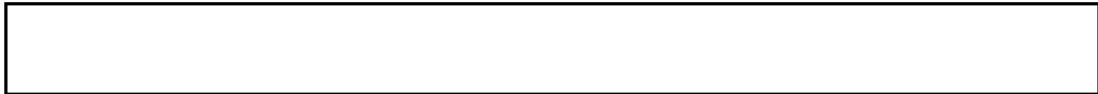
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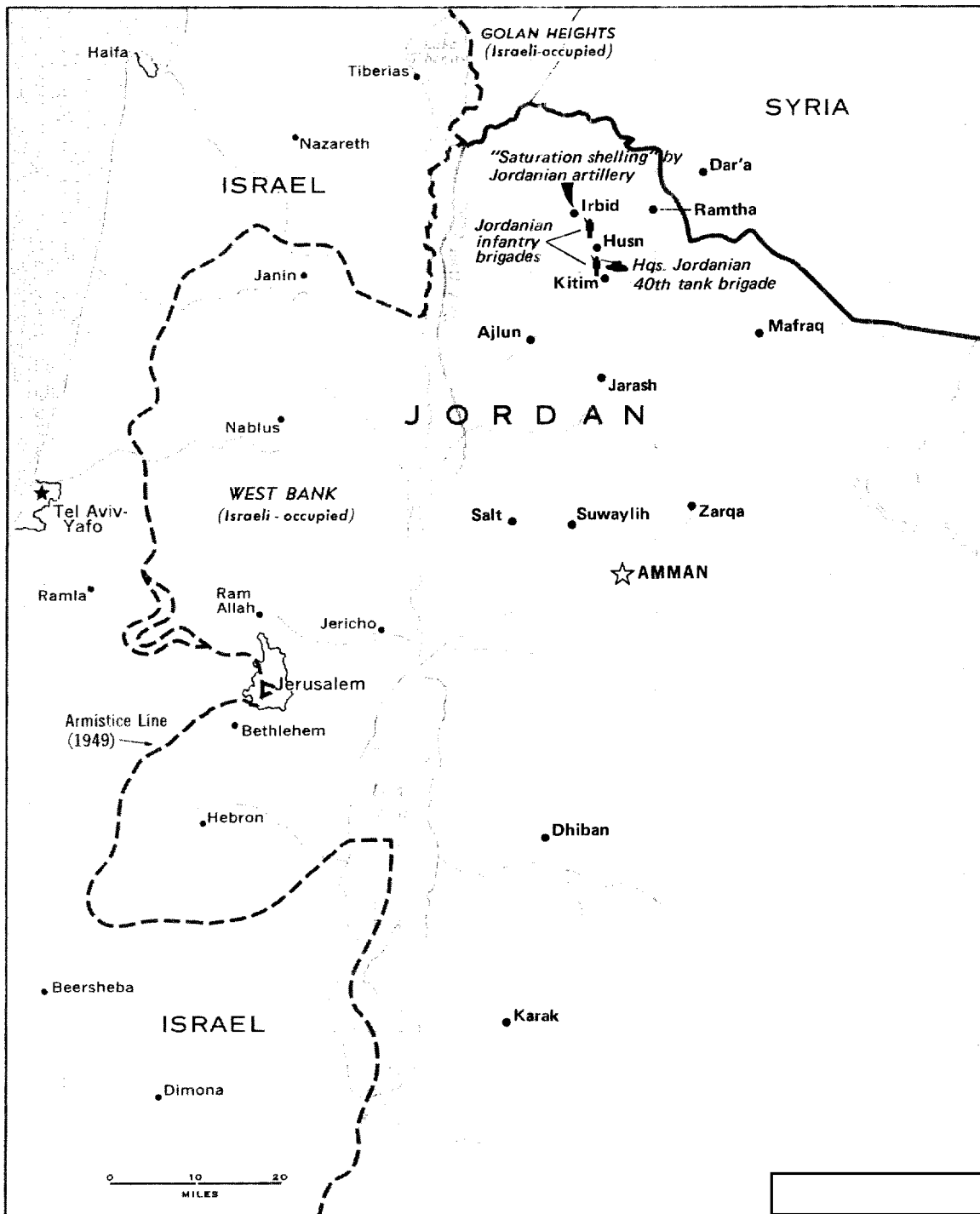
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JORDAN: Current Situation



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JORDAN: The army seems to be gaining steadily as the pace of fighting gradually slows.

[redacted] Jordanian artillery yesterday began the "saturation shelling" of Irbid. [redacted] there has been some movement of Jordanian units into the town, but Irbid is apparently still holding out. The Jordanians have deployed their 2nd Division in the Irbid area, with one infantry brigade between Irbid and Husn and another centered on Kitim. A Jordanian tank brigade is in the area with one battalion patrolling the Irbid-Ramtha road. One of the Syrian brigades which pulled out of Jordan has now left the border area, indicating that the Syrians probably have no immediate plans to return. Amman was apparently somewhat quieter yesterday, although firing could still be heard.

In a meeting with the US ambassador, King Husayn said that Jordan's military government will be continued for at least the next few months. The King also believes that the fedayeen central committee no longer exists; all its significant members are dead, captured, or out of business. Fedayeen broadcasts, he said, are being made by people with no authority but with access to radio equipment [redacted]

Jordan's military prime minister, Brigadier General Daud, who was in Cairo attending the Arab summit [redacted]

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[conference, resigned yesterday. In a statement to the press, Daud--who is a Palestinian--said that he had resigned because his government was being held responsible for something it had nothing to do with, clearly a reference to the showdown with the fedayeen. Daud said that he wanted to make room for the formation of a national, civilian cabinet capable of restoring peace to the country. The announcement that King Husayn has accepted Daud's resignation was broadcast over Amman radio; the King has asked the cabinet to remain in office as a caretaker government until a new one can be formed.

According to Cairo's semiofficial newspaper Al Ahram, the Palestine Liberation Organization (PLO) central committee met in emergency session in Damascus yesterday; the meeting was said to have been attended by 15 delegates representing all major fedayeen organizations. The body appealed to the Arab kings and presidents to arrange a 24-hour cease-fire in Jordan, and requested the Arab leaders to send another delegation to Amman. Presumably in response, a second delegation of Arab dignitaries arrived in Amman from Cairo late yesterday and met with King Husayn. Like the last Arab peace mission, it was headed by Sudanese President Numayri, and it includes Egyptians, Tunisians, Kuwaitis, Saudi Arabians, and a member of the PLO central committee.

The Red Cross has informed the US Embassy in Beirut that a spokesman for the Popular Front for the Liberation of Palestine phoned yesterday to say the hostages were in good health, well treated, and safe from the fighting. King Husayn told the US ambassador that he is prepared to consider trading high-ranking fedayeen prisoners for the hostages,

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CAMBODIA: Evidence continues to accumulate that the Communists are making gains organizing the countryside.

[redacted] in Kompong Speu Province, for example, the Communists have registered significant propaganda and recruiting gains since early August by capitalizing on the population's antagonism toward South Vietnamese troops. In nearby Kampot Province, [redacted]

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[redacted] Cambodian Army troops in one key district have reached an understanding with the Communists, allowing them considerable freedom of movement in return for their agreement not to attack the district capital. Large areas of the province reportedly are under Communist control.

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In Kompong Cham Province, the Communists have allegedly established two military training camps for Cambodian recruits. A Viet Cong defector claims that after a training period of three to six months the trainees are assigned to existing Cambodian Communist forces at the province and district level.

Government officials are becoming increasingly aware of Communist activities of this sort, but are still preoccupied with protecting the country's urban areas, particularly Phnom Penh. Additionally, the government's civil action program for rural areas is barely under way, and it probably will be some time before it registers any real results. For their part, the Communists still have substantial problems to overcome before they have a reliable organization in the countryside to support their military effort.

* * * *

On the military front, Communist resistance has again stalled the government's advance along Route 6 toward Tang Kouk village. Enemy opposition does not appear to be as great as press accounts suggest, but the Cambodians yesterday replaced two battalions after suffering five killed and 77 wounded. Air strikes were to support yet another government move on the village yesterday.

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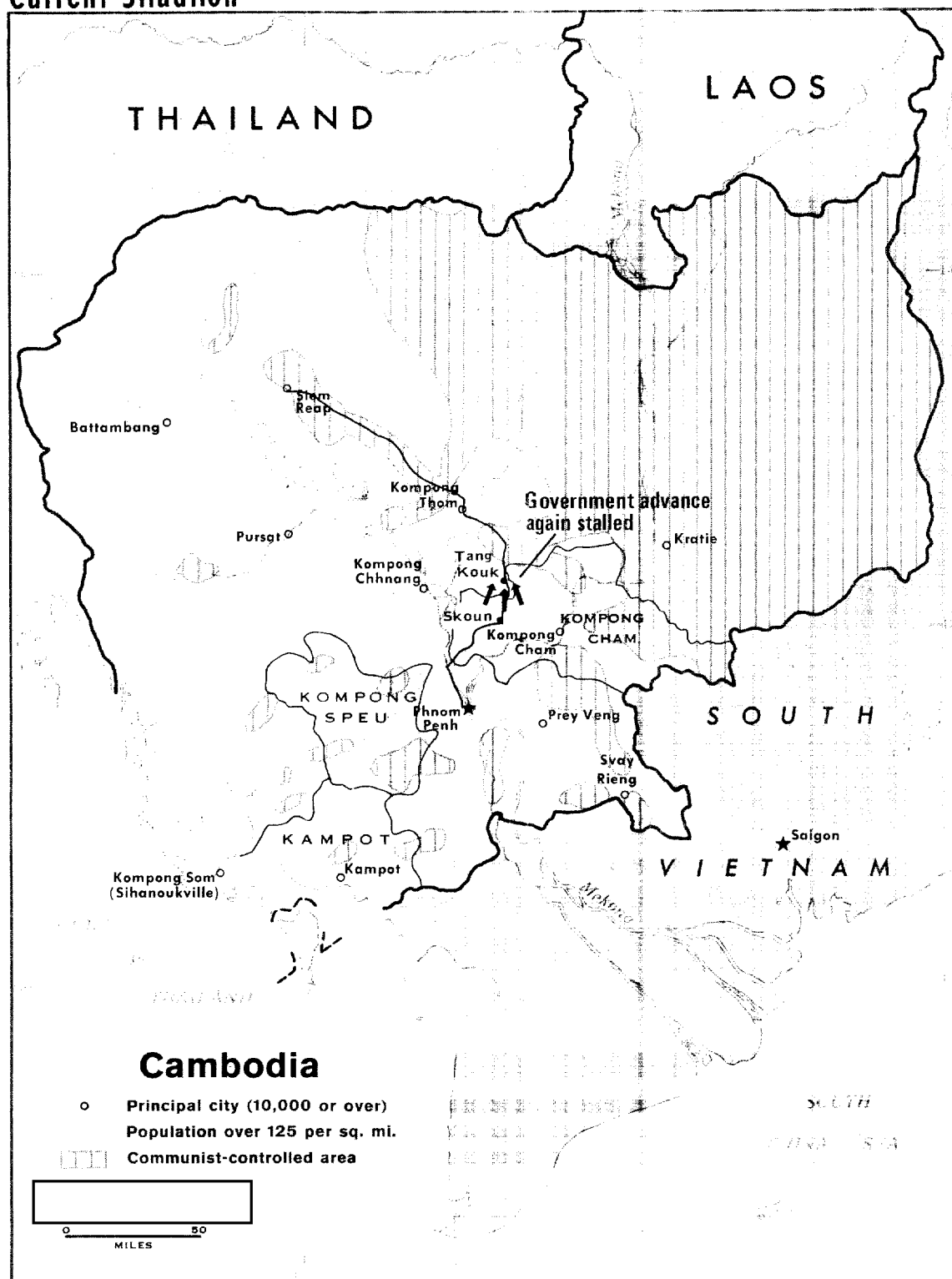
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SOUTH KOREA: The selection of a candidate to oppose President Pak Chong-hui next year threatens to split South Korea's only significant opposition party.

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As things now stand President Pak is conceded to be a shoo-in next year. How well his opponent runs could have a strong impact on the outcome of the National Assembly elections, however. The New Democrats hold only 42 of the Assembly's 175 seats, compared with the government party's 112 seats. A poor performance by the New Democratic candidate might contribute to that party being virtually shut out of the legislature.

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CHILE: The financial panic following Allende's election victory has subsided, but the Chilean economy continues to deteriorate.

A survey of ten industries showed that manufacturers' sales during the second week of September dropped some 60 percent from the second week in August; about half of their unfilled orders have been canceled. Although production is down nine percent, inventories are mounting rapidly. Cash receipts of companies are off by 40 to 60 percent.

Most firms have been able to pay wages and taxes only by deferring payments to suppliers. Highly protective labor legislation has prevented major layoffs, but many employers report that it will be difficult to maintain employment for very long. The stock market has plunged 42 percent since 2 September, with trading very light because there are almost no buyers.

Copper production has continued normally thus far even though worker morale is sagging and numerous US and Chilean employees are preparing to leave the country. The mineworkers, traditionally one of Chile's most privileged labor groups, fear what will happen if the government takes over the operations completely.

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HONDURAS: President Lopez has reiterated his determination to extend his term.

On Wednesday, Lopez told the US ambassador that the only remaining solution to the current "severe internal political crisis" was to adopt a new constitution that would allow him to continue in office. Lopez claimed, however, that he would govern with a totally new cabinet that would be truly representative and not staffed on a narrow party base, as is the case at present.

The President, apparently stung by the opposition Liberal Party's rejection of a constituent assembly, spoke of the need to end the present "archaic party structure" and stated that a constituent assembly would be based on "wide popular consultation." Although he did not divulge any time frame for the proposed assembly, he referred several times to the urgency of taking some action before the economic and political crisis worsened.

Lopez strenuously denied planning a coup that would result in a military government. Admitting there had been some military pressure on him to act quickly and decisively, he alleged that he had convinced the military that the day of coups was past and that whatever had to be done must be done within a "constitutional framework."

Lopez clearly wants to give his actions a semblance of legality. Nevertheless, if he becomes convinced that a constituent assembly would give opposition elements a propaganda forum and an opportunity to raise the level of political tensions, he may opt for a coup.

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IRAN: The government, faced with the need to import wheat for the first time in four years, is negotiating a \$12-million credit arrangement with the US to cover the purchase costs of 200,000 tons of wheat. Shipping and insurance costs, probably amounting to some \$4.5 million, conceivably would have to be paid at the time of deliveries, planned for November and December. Payment on the credit will be made in three annual installments of some \$4 million beginning in 1971. These payments would nevertheless place an added strain on Iran's balance of payments, which has been in chronic deficit because of heavy spending for industrial imports, defense, and debt repayment. The deficit amounted to about \$150 million in the year ending March 1970.

[REDACTED]

* * * *

CYPRUS: The talks between representatives of the ethnic Greek and Turkish communities, begun in 1968, resumed on 21 September after a summer recess. The two sides appear as far apart as ever. The fact that the meetings are now scheduled on a biweekly rather than a weekly basis indicates that neither of the Cypriot communities nor their sponsors in Athens or Ankara wish to press for a solution of the issue of local autonomy for the Turkish Cypriots at this time. They do, however, want to keep the talks going as long as possible.

[REDACTED]

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YUGOSLAVIA: The serious concern expressed in speeches by President Tito and Premier Ribicic earlier this week over the crisis in Jordan is being prominently and extensively echoed in the Yugoslav press. Belgrade is strenuously urging a political settlement to the crisis because of Tito's long-standing support for his close friend President Nasir and the Arab cause and the possibility that Yugoslavia would be caught in the middle in the event of a clash between the two superpowers. Both Tito and Ribicic warned against any outside intervention in Jordan. Premier Ribicic in particular has had harsh words for the fedayeen extremists whose "thoughtless and adventuristic air hijackings" precipitated the crisis.

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MALAYSIA: Local Communist groups in Sarawak may be trying a show of force to boost the morale of their members. Terrorist activity has been increasing in 1970 despite a recent anti-Communist operation which the government termed generally successful. In recent months a police station has been shot up and there have been ambushes and murders. Moderate Chinese who support the government now fear the possibility of assassination attempts. [REDACTED]

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ECUADOR: The government is taking strong action to limit speculative price increases. Some businesses have used a new four-percent sales tax and an August currency devaluation as an excuse to raise prices of medicines and many food staples beyond prescribed limits. The government has reacted by jailing some merchants, authorizing the army to sell stockpiled basic foodstuffs to the public at cost, and directing the Ministry of Health to dispense medicines at reduced prices. Nevertheless, price speculation is continuing, and some Ecuadoreans are asking that the army take control of retail outlets. [REDACTED]

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